
HOUSE BILL No. 1506

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-12-17.9; IC 6-4.1-1-3; IC 6-4.1-3.

Synopsis: Property tax deductions and inheritance taxes. Provides that a trust is entitled to certain property tax deductions for real property owned by the trust if the property is occupied by an individual who has a beneficial interest in the trust, is considered to have a life estate in the real property, and otherwise qualifies for the deduction. Removes a provision that prevents individuals who are adopted as adults after June 30, 2004, from being considered Class A transferees for purposes of the inheritance tax. Increases the Class B transferee inheritance tax exemption amount from \$500 to \$20,000 and the Class C transferee inheritance tax exemption amount from \$100 to \$10,000. Increases from \$1,000 to \$5,000 the maximum amount that may be deducted for purposes of inheritance tax from the value of property interests transferred by a resident decedent for the purchase of a memorial for the decedent. (The introduced version of this bill was prepared by the probate code study commission.)

Effective: July 1, 2007.

Foley, Kuzman, Koch

January 23, 2007, read first time and referred to Committee on Ways and Means.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

HOUSE BILL No. 1506

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-12-17.9 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE JULY 1, 2007]: **Sec. 17.9. A trust is entitled to a**
4 **deduction under section 9, 11, 13, 14, 16, or 17.4 of this chapter for**
5 **real property owned by the trust and occupied by an individual if**
6 **the county auditor determines that the individual:**

7 (1) **upon verification in the body of the deed or otherwise, has**
8 **a beneficial interest in the trust;**

9 (2) **otherwise qualifies for the deduction; and**

10 (3) **would be considered the owner of the real property under**
11 **IC 6-1.1-1-9(f).**

12 SECTION 2. IC 6-4.1-1-3, AS AMENDED BY P.L.238-2005,
13 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14 JULY 1, 2007]: Sec. 3. (a) "Class A transferee" means a transferee who
15 is a:

16 (1) **lineal ancestor of the transferor;**

17 (2) **lineal descendant of the transferor;**



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(3) stepchild of the transferor, whether or not the stepchild is adopted by the transferor; or

(4) lineal descendant of a stepchild of the transferor, whether or not the stepchild is adopted by the transferor.

(b) "Class B transferee" means a transferee who is a:

(1) brother or sister of the transferor;

(2) descendant of a brother or sister of the transferor; or

(3) spouse, widow, or widower of a child of the transferor.

(c) "Class C transferee" means a transferee, except a surviving spouse, who is neither a Class A nor a Class B transferee.

(d) For purposes of this section, a legally adopted child is to be treated as if the child were the natural child of the child's adopting parent. ~~if the adoption occurred before the individual was totally emancipated. However, an individual adopted after being totally emancipated shall be treated as the natural child of the adopting parent if the adoption was finalized before July 1, 2004.~~

(e) For purposes of this section, if a relationship of loco parentis has existed for at least ten (10) years and if the relationship began before the child's fifteenth birthday, the child is to be considered the natural child of the loco parentis parent.

(f) As used in this section, "stepchild" means a child of the transferor's surviving, deceased, or former spouse who is not a child of the transferor.

SECTION 3. IC 6-4.1-3-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 11. The first ~~five hundred twenty thousand~~ **twenty thousand** dollars ~~(\$500)~~ **(\$20,000)** of property interests transferred to a Class B transferee under a taxable transfer or transfers is exempt from the inheritance tax.

SECTION 4. IC 6-4.1-3-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 12. The first ~~one hundred ten thousand~~ **ten thousand** dollars ~~(\$100)~~ **(\$10,000)** of property interests transferred to a Class C transferee under a taxable transfer or transfers is exempt from the inheritance tax.

SECTION 5. IC 6-4.1-3-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 13. (a) For purposes of this section, the term "property subject to the inheritance tax" means property transferred by a decedent under a taxable transfer.

(b) The following items, and no others, may be deducted from the value of property interests transferred by a resident decedent under ~~his~~ **the decedent's** will, under the laws of intestate succession, or under a trust:

(1) the decedent's debts which are lawful claims against ~~his~~ **the**

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1 **decedent's** resident estate;

2 (2) taxes on the decedent's real property which is located in this
3 state and subject to the inheritance tax, if the real property taxes
4 were a lien at the time of the decedent's death;

5 (3) taxes on **the** decedent's personal property which is located in
6 this state and subject to the inheritance tax, if the personal
7 property taxes are a personal obligation of the decedent or a lien
8 against the property and if the taxes were unpaid at the time of the
9 decedent's death;

10 (4) taxes imposed on the decedent's income to date of death, if the
11 taxes were unpaid at the time of ~~his~~ **the decedent's** death;

12 (5) inheritance, estate, or transfer taxes, other than federal estate
13 taxes, imposed by other jurisdictions with respect to intangible
14 personal property which is subject to the inheritance tax;

15 (6) mortgages or special assessments which, at the time of **the**
16 decedent's death, were a lien on any of **the** decedent's real
17 property which is located in this state and subject to the
18 inheritance tax;

19 (7) **the** decedent's funeral expenses;

20 (8) amounts, not to exceed ~~one~~ **five** thousand dollars (~~\$1,000~~;
21 **(\$5,000)**), paid for a memorial for the decedent;

22 (9) expenses incurred in administering property subject to the
23 inheritance tax, including but not limited to reasonable attorney
24 fees, personal representative fees, and trustee fees;

25 (10) the amount of any allowance provided to the resident
26 decedent's children by IC 29-1-4-1; and

27 (11) the value of any property actually received by a resident
28 decedent's surviving spouse in satisfaction of the allowance
29 provided by IC 29-1-4-1, regardless of whether or not a claim for
30 that allowance has been filed under IC 29-1-14.

31 (c) The amounts which are deductible under subsection (b)(6) of
32 this section are deductible only from the value of the real property
33 encumbered by the mortgage or special assessment.

34 **SECTION 6. [EFFECTIVE JULY 1, 2007] Actions taken before**
35 **July 1, 2007, that would have been valid under IC 6-1.1-12-17.9, as**
36 **added by this act, are legalized and validated.**

37 **SECTION 7. [EFFECTIVE JULY 1, 2007] IC 6-4.1-3-11,**
38 **IC 6-4.1-3-12, and IC 6-4.1-3-13, all as amended by this act, apply**
39 **to the estate of an individual who dies after June 30, 2007.**

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